



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

For Immediate Release:

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KA-CHING!
STOP THE SOUND OF GOVERNMENT CASH REGISTERS
OVERCHARGING INVESTORS
FOR SEC FEES

U.S. Rep. Vito Fossella (NY) will introduce legislation Monday to stop government overcharging of American investors for Securities and Exchange Commission (SEC) fees. Fossella was joined at a Capitol Hill news conference today by original cosponsors of the legislation: House Financial Services Committee Chairman Michael G. Oxley (OH), Oversight and Investigations Subcommittee Chair Sue W. Kelly (NY), Domestic Monetary Policy Ranking Member Carolyn B. Maloney (NY), Rep. Felix J. Grucci (NY), and Rep. Joseph Crowley (NY).

"These fees hinder productivity, limit investment, reduce the efficiency of the markets and restrain economic growth," Fossella said. "Over time, they have grown into a massive tax on investors and capital."

If nothing is done to stop the flow of investors' cash into the government till, **more than \$24 billion in overcharges will be collected over the next ten years**. Since 1990, American investors have been overcharged **by almost \$9.2 billion**. This year alone, about **\$2 billion in excess fees** will go into the government's coffers. In 2000, **more than six times** the amount needed to fund the SEC was charged.

"The government is making money hand over fist," Oxley said. "But it comes at the expense of American investors' long-term growth. It's an insidious tax, because you'd have to be an accountant to accurately calculate how much it really costs you over the long haul."

Capital Markets Subcommittee Chairman Richard H. Baker (LA) said, "Of the estimated \$2 billion in surplus fees the SEC will collect this year, roughly \$1.7 billion rightly

belongs to individual investors. I believe they deserve a refund. With this bill, they'll get one."

The legislation would eliminate all excess fees that are currently going to general revenues. It would, however, ensure that enough fees would be generated to fully fund the SEC. The reductions amount to \$14 billion over 10 years.

Under the legislation, transaction fees would be reduced by over 60 percent. The transaction fees particularly have a negative effect on retirement funds, which trade hundreds of millions of shares.

Chair Kelly said, "These excessive fees imposed by the SEC are unfair, workers earning pensions and long-term investors are hurt the most. The bill as introduced in the House, is simpler, distributes the costs more fairly and reduces Section 31 fees 20 percent more in the first year than the bill currently under consideration in the Senate."

Rep. Felix J. Grucci (NY), said, "It's simple common sense for Congress to return hard-earned dollars back to consumers, families, and investors. The savings achieved through elimination of securities fees will be better spent by individual Americans on educational, retirement and re-investment opportunities."

Begun in the 1930s as a user fee to fund the SEC, charges have grown over time to become a funding mechanism for the general revenues of the entire government.

Other original cosponsors of the legislation are: Baker (LA); Domestic Monetary Policy Subcommittee Chairman Peter King (NY); Housing Subcommittee Chair Marge Roukema (NJ); Reps. Gary L. Ackerman (NY); Ken Bentsen (TX); Rod R. Blagojevich (IL); Mark Foley (FL); Harold E. Ford, Jr. (TN); Paul E. Gillmor (OH); Steve Israel (NY); Donald A. Manzullo (IL); Gary G. Miller (CA); Dennis Moore (KS); Doug Ose (CA); Thomas M. Reynolds (NY); Mike Rogers (MI); Edward R. Royce (CA); John B. Shadegg (AZ); Christopher Shays (CT); Patrick J. Toomey (PA); and Dave Weldon (FL).

**Statement of Rep. Michael G. Oxley
Chairman, House Financial Services Committee
The Investor and Capital Markets Fee Relief Act of 2001
March 15, 2001 News Conference**

This legislation is vitally important to every American investor - and, indeed, to every American business seeking access to our capital markets. It's called the Investor and Capital Markets Fee Relief Act because it saves investors and the capital markets approximately \$14 billion dollars over the next ten years.

If nothing is done to stop the flow of investors' cash into the government till, more than \$24 billion in overcharges will be collected over the next ten years.

This fee relief bill reduces fees to a level more consistent with Congress's original intent - the fees will recover the Commission's costs of supervising the markets, but will no longer be a burdensome tax on investors and capital formation.

The fee relief bill reduces all excess SEC fees: transaction, registration, merger/tender, single stock futures, and the trust indenture fee (a nuisance fee). The fee relief bill provides a stable funding structure for the SEC by ensuring appropriators have sufficient funds to meet the agency's funding needs.

The fee relief bill also includes pay parity provisions to help the Commission attract and retain first-rate attorneys, accountants, and economists.

In the post-Gramm-Leach-Bliley financial services world, SEC professionals performing the same work as their colleagues in the banking agencies should receive similar compensation.

Both the Senate and House version of this bill ultimately cut the same amount of excess revenues -- \$14 billion over 10 years.

The House bill has a deeper cut in section 31 transaction fees than the Senate version, S. 143. Transaction fees, which are ultimately paid by investors, have generated the bulk of the massive excess fees in recent years - so they need the biggest cut to prevent that from happening in the future.

The House bill reduces transaction fees by more than 60 percent. It requires that the SEC, rather than appropriators, set the fee rates each year. The Commission must do so in consultation with OMB and CBO, using existing CBO methodology.

The House bill simplifies the fee-setting mechanism by not including a mid-year fee adjustment.

With the broad bipartisan support this bill enjoys, we expect to move it through the Committee by the end of this month. We intend to hold a subcommittee markup next week on this legislation, followed in short order by full committee consideration.

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